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International Business and Trade

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Abstract

International business encompasses all commercial activities that take place to promote the transfer of goods, services, resources, people, ideas, and technologies across national borders. International business occurs in many different forms, the movement of goods from one country to another (exporting, importing, trade), contractual agreements that allow foreign firms to use products, services, and processes from other nations (licensing, franchising), the formation and operations of sales, manufacturing, research and development, and distribution facilities in foreign markets.

International trade is the exchange of capital, goods, and services across international borders or territories. It is the exchange of goods and services among nations of the world. All countries need goods and services to satisfy their people. Production of goods and services requires resources. Every country has limited resources; therefore a country solely cannot produce all the goods and services that it requires. Required goods which cannot be produced or the amount is insuficient as required, need to be provided from other countries. Similarly, countries sell their products to others also when the production of goods comes in surplus quantities than demanded in the country.

Keywords: international; trade; business; market.

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1. Introduction

Modern economic conditions, technology development, improvement of transport and communication methods cause many companies to operate from different locations, such as in their country and in other countries. Each company that performs any exchange of goods, services or international transactions outside their country, is a participant in the international market directly or indirectly.

International business is consisted of devised transactions in advance, which are implemented through national borders, in order to satisfy the needs of individuals, companies and other businesses. International business actually links all countries, institutions and individuals. Enterprises should identify goals and objectives to be placed on the international market. It means to determine the target countries and the possibilities of selling products and services in these countries and of course to assess what profit to gain from selling of its products and services on the markets in selected countries.

International business is realized within the process of globalization of business which actually means increasing international integration and manufacturing processes and international market for goods and services. It refers to realizing processes of liberalization of national economies, reducing trade restrictions or barriers, free movement of foreign direct investment worldwide, strengthening the role of international companies in the international production and mutual trade and exchange.

2. Globalization of international business

Globalization refers to growth of global connectivity, integration and interdependence of economic, social, technological, cultural, political and environmental spheres. Globalization is a notion or common term which best explains the processes of economic interdependence the growing influence of culture, great advantages of information technology and new geopolitical changes that lead to bringing people together in a global system. Regarding globalization it can me noted that it represents an internationalization regarding different countries. Economical globalization can be measured in different manners; nevertheless those measurements target four economic trends that it features:

- movement of goods and services and increase of the national income per capita;
- increased employment - movement of the population may result in better employment, if not in person's home country it may be realized in other countries;
- movement of capital as direct investments;
- technology development as a result of the flow of international research and development and investment.

Globalization is about the increase in the processes of economic integration worldwide and everything is actually achieved through trade and financial flows. The notion of globalization is linked to the movement of people, labor and knowledge (technology) across international borders. Also, there are broad dimensions of globalization pertaining to culture, political and environmental aspects.

2.1. International market traits

The market of each country is different. Differences are set from the culture and lifestyle, differences in population demographic characteristics, the demands and purchasing habits, differences in production and expenses to sell products and services, currencies, political power and regulations, the size of markets and the level of competition.

The operation of the international market burdened because many countries with various regulations and measures limit the free movement of goods or protect domestic production. These are so-called barriers to market entry of a country. Rationalizing the overtaking of protective measures is justified by arguments that target the need to [1]:

- protect the under-developed economy where costs are often higher, and the quality is at a lower level;
- Protection against unfair competition;
- Protection of vital national economic activities;
- Interventions in the foreign - trade balance;
- Protection of living standards.

Taking protective measures, reduces the competition, leads to price increases, cause inflation, consumers have lesser amount of products and services to choose, and trade balance is easily disturbed and there is not enough competition.

In a global economy, no country is not prepared to produce everything that is necessary to satisfy the needs of the population without establishing cooperation with other countries. Each country is involved in different types of trade or other activities for sale of finished products, supply of materials or other resources that are lacking in the country, achieving a more efficient and cheaper production etc. The global economy promotes efficiency and providing of various types of products, often produced at lower cost. The globalization of production, at the same time causes globalization of trade, and they cannot function one without the other.

Successful placement on the international market is based on realization of business activities of a known market. It is necessary to be known who the buyers of products and services are, the existing and future ones, which will expand the operation. It should be known the that unmet needs and desires of consumers, how they relate to the market and how to attract.

Consumers in the international market have higher claims, greater opportunities and get more information about products and services and want to buy the best products that meet their needs.

There are three main issues that should be considered when determining the necessity of performance of international market, and they are [2]:

- the market size and who is placed on it;
- how to understand the market better;

- what is the optimal approach to provide the best target market.

2.2. International trade system

In order to be able to perform in a foreign or international market it is necessary to know the international trading system. They should be known what are the so-called trade restrictions and organizations working on the promotion of trade or international trade in goods.

Development of international trade and other forms of international cooperation and state influence on the conduct of international trade, leads to the necessity to establish some form of mutual agreement and bargaining between companies from different countries. It is done on a bilateral basis, but it must be pointed out that the issues of concern to many countries, can not be comply in this way because it requires concluding multinational and multilateral conventions and agreements.

One of the most important world organizations working on the development of creation of conditions for free movement of goods and services between the countries in the world is the World Trade Organization. WTO World Trade Organization – WTO [3], is new important and powerful institution that monitors and influences the global, world or international trade. It is one of the major mechanisms for joint globalization. It has occurred on 01.01.1995, with the restructuring - the General Agreement on Tariffs and Trade GATT - General Agreement on Tariffs and Trade.Svetskata Trade Organization - WTO, The World Trade Organization (WTO), is an international organization that was established to controls and liberalize world trade. It works with rules of trading between countries, on a direct global level, and is responsible for the negotiation and implementation of new trade agreements and obligations of the agreements that have signed numerous member states of the organization, from different countries.

International business is also subject to the law or the legislation of the members adopted to the country's needs or "invited" countries. Domestic power can reach a conclusion or decision to withdraw from working with uninvited partners. Many countries may prescribe measures such as customs, ownership control, restrictions of work performance or property.

The performance of foreign markets is accomplished in an institutional environment that consists of a set of political, social and legal rules. These rules form the right of production, exchange and distribution, leading to it to achieve specified security and expectations about the actions with others and will ensure steady realization of business.

The most important rules in each system are the rules that define, allocate and ensure the rights of ownership and the terms and conditions that specify legal and illegal forms of cooperation and competition (standards, rules of bargaining, trading conditions, etc.). A well-defined and secure system of property rights is a basic system performance of foreign markets. Expression of ownership and the right to use trade and other resources is essential for market development and marketing activities.

3. Forms of establishing international business

The simplest form of realization of international business is exports, which may be direct or indirect, using intermediaries such as agents. More complex forms of foreign market entry include conducting more complex operations such as joint ventures or realization of joint operations, direct investment, work in duty-free zones, etc.

How to make the choice to enter foreign markets depends on many factors, primarily on the nature of the existing products of the company and the conditions for entering the foreign target market. Exports can be applied for direct sales of the products of a foreign company or indirectly through export intermediaries, such as agents or intermediary commissions by export or trade companies.

Export is one of the most traditional ways of entry and operation on foreign markets. Exports is considered as taking action to sell the products in another country for products produced by the manufacturer's home country or a third country. Achieving the export business activities in another country requires significant assets. These funds should not provide detailed information on the implementation of export activities as they do to domestic companies, but to develop appropriate information for the preparation of detailed export strategies. Exports can be managed as an active and passive. *Passive export* is one in which the exporter is expecting to receive order for purchasing when necessary. *Aggressive export* marketing means developing strategies that creates an offensive and a clear picture of what the company's plans are to the foreign markets.

Indirect export means achieving exports of goods through mediator. They can be agents or companies performing the export. Agents operate as brokers or establish relationship between exporter and foreign buyers. Generally the agent would not do the sale on the foreign market but will facilitate and help in the realization of the export logistics, especially in the area of packaging, shipping and preparation of product documentation.

Direct export to foreign markets is to control the movement of the goods and the logistics of goods intended for foreign markets [4].

Representative agents operate on the principle of a given sale. They find buyers for the products of the company that wants to export. Agents shall have the authority to negotiate on behalf of the exporting company that hired them.

Foreign distributors are generally hawkers. They take products from the exporter which allows customers to these people to get faster. Distributors often provide aftersales service for customer needs of foreign markets.

Foreign agents or distributors can be found through trade or chambers of commerce or other economic associations in the country whose market is to be performed, and can use various publications of commercial activities.

Foreign government agents or foreign government agencies can also be used for the realization of some export activities or to detect certain export opportunities. Also, for these purposes foreign economic attaches as representatives of foreign embassies can be used.

Consumer goods in foreign markets can be sold through foreign retailers. They can be found with the help of the representatives for sale or to travel to the foreign market with brochures or materials of the product and samples, call the retailer by telephone or products to be presented via direct mail campaign. Direct marketing approach can reduce the cost of the mediators and travel abroad.

As an option for direct export of goods abroad the direct sale of products of consumers can be done. This kind of sale is practiced depending on the product. For example, manufacturers of healthcare equipment can sell equipment to hospitals, or regarding the equipment for education, selling directly to schools or universities, or certain individual business customers.

The license is consent or permit given to someone that can use the intellectual property rights [5]. Intellectual property rights can be patent, trademark of a product, manufacturing technology of a product, and the method of selling a product. A license may be given even for technical or business knowledge or so-called *know– how*. The license is different from the authorization. Authorization is transferring the IPR such as to work or to produce something. With the license the intellectual property right usually remains with the owner named as licensors, and it is not taken from the one who receives the license - licensee.

A license may be exclusive and non-exclusive.

Non-exclusive license refers to the right to use the intellectual property given to not more than a single user license.

Exclusive license means that the right of use of intellectual property used alone for one user. That could mean that access to the licensee or licensee may be someone who works in a certain area or of a particular country.

Patent license is a consent or authorization to produce, use or to sell patented products to use certain design or process.

The license for branded product or service is a consent or permission given by the owner of a brand of product, so that product is manufactured or sold by another. This type of license is distinguished from other types because the licensor retains some degree of control over the nature and quality of the product or service. With this type of license, the licensor has the control to ensure products are produced from the one that received the license having the same quality as those of the licensor.

Franchising is one of the business strategies applied to ensure an increase of the number of buyers. Franchising is a marketing system by which understanding picture of current and future customers is created about how the products or services of company can serve to meet their needs. Franchising is a method of products distribution and services to meet the needs of the consumers [6].

Franchising is a network of independent business relationships that enables:

- identifying product brand;
- method for successful operation;
- real marketing system.

In short, franchising can be defined as a strategic agreement between the two companies and two commercial entities that build specific relationships and responsibilities in order to realize mutual goals, and they can be expressed as a desire for conquest and domination of the market, ie attract and retain more customers or consumers than their competitors.

Franchising is a marketing system established between two countries or two companies on the basis of an agreement. A particular company or a firm contracts with each other to sell its products or services in a particular market or in a certain area.

Franchising is not a business itself; it is a way to work. Franchising means building business relationships in which the company realizing certain business alike - franchisor – by contract with another company or companies - franchisees - allows its products to be sold directly to the market and use the name of the company for certain period of time. Franchising of the international market is defined as a continuous relationship between the person who gives the franchise in order to provide benefits for business, the organization of work in sales and management.

Joint ventures or business activities is a term that defines the companies which are formed from two or more persons or companies in order to work together and make a profit.

Joint ventures represent a form of organization of the enterprises in which two or more entities come together to accomplish certain activities and create profit. Each participant invests funds and risk taking.

In most cases, joint ventures or activities are bilateral. They are considered as bilateral relations because it involved two sides of a business, they are partners in order to build certain strategic advantages. The main reason for achieving such activities may be, for example, access to new technical through which companies will gain competitive advantages; getting certain intellectual knowledge, necessary human resources to the closed channels for product distribution in certain regions of the world etc. Also, in this way the difficulties in integrating the cultures of the organizations can be overcome.

The term joint ventures shows that it refers to a legal entity, organization, firm or company which is formed by two or more persons or companies to undertake certain economic activities jointly. Parties that undertake joint activities agree to create a new company to increase capital and share profits and costs and to control the operation of the company. Realization of a specific project or continuously working together can be considered as joint activity.

The best way to participate fully on foreign markets is the total ownership of the company which means a fully independent capital management and business operations with the company. In this way, the possibilities for communication and control remain fully in the hands of the owner.

When a company is working on the international market, ownership strategy and the strategy of the management of the company must be determined, because it is based in order to maintain competitive advantage. These decisions are made separately and depend on the size of the company and the opportunities offered by the domestic market, the available resources, market size, the available labor force and its facilities.

Operations of foreign companies on the market in another country have two characteristics, such as investment in physical facilities and equipment and control activities in the marketing. Working in the foreign market with their own means refers to broaden the knowledge and technology upgrades. This must be done in order to ensure the creation of competitive advantages on that market, which no other participants from the industry of such firm would have in their disposal.

FDI - Foreign direct investment plays a very important role in the development of global business [7]. It may enable the company to provide new markets and marketing channels, cheaper means of production, access to new technologies, products, knowledge and financial resources. Foreign direct investment in its general definition is defined as investment of a company from abroad in a particular country. Investments may take the form of physical investment that mean build factories and provision of equipment and technique, direct purchases from foreign companies, constructing facilities or investing in mutual activities and encouraging the creation of strategic alliances intended to bring technology license or intellectual knowledge. When it comes to direct investment it should be noted that they are direct investments of means of production to a foreign firm in any country. Investments may be:

- manufacturing - with the intention to create new operational or production capabilities;
- establishing new or teaming up with existing firms;
- entry of international firms, companies that realizing business activities in more than one country.

4. International Trade

The notion of international trade refers to trade of goods and services between countries [8]. Every country, regardless of the technological advantages will still find a product that can be placed on the foreign market. International trade is an extension of the production, exchange and consumption, which are basic elements of life. Producers and consumers included in international trade are from different countries.

International trade is an exchange of goods and services between individuals and companies from different countries [9].

International trade is an economic activity that covers trade in goods and services abroad [10]. It represents the total exchange of material goods between countries. Narrowly foreign trade covers only trade in goods between the economic entities from different countries and is subject to exchange occurring only to those goods that cross state borders or customs lines of one or more countries. In broad terms, foreign trade, despite the international exchange of goods includes the exchange of services (visible and invisible exports and imports), the turnover of capital, movement of people (tourism) and the transmission of news and Information (telecommunications market).

International trade is a trade of goods and services etc. in which the exchange takes place between entities from foreign countries, so that the subject of the sale renames borders or customs line and the territory of the seller (exporter) and land buyer (importer). All this is done under written foreign trade agreement [11]. Foreign trade is normally performed by certain rules and laws, and the rights and obligations of the participants are determined in the contract. In foreign trade only competitive products and services are included in terms of quality, price, payment, terms of delivery.

The significance and role of international trade are reflected in the fact that with its help of foreign trade that countries supplying goods and services that cannot alone produce or unable to produce sufficient quantities to meet the needs of consumers country. International trade stimulates the division of labor reduces production costs, creates more competition between buyers and producers, reduces the possibilities of creating monopolies and rapid price changes and facilitate the movement of capital.

5. Conclusion

International business consists of devised transactions in advance which are implemented through national borders. Any company that performs any exchange of goods, services or international transactions outside their country is a participant in the international market directly or indirectly.

International business is realized within the process of globalization of business which actually means increasing international integration and manufacturing processes and international market for goods and services. Globalization refers to growth of global connectivity, integration and interdependence of economic, social, technological, cultural, political and environmental spheres.

To be able to perform in a foreign or international market it is necessary to know the international trading system. The so-called trade restrictions and organizations working on the promotion of international trade or exchange with goods need to be known as well. Developing international trade and other forms of international cooperation and state influence on the conduct of international trade, leads to the urge to establish some form of mutual agreement and bargaining between companies from different countries.

The simplest form of realization of international business is exports, which may be direct or indirect by using intermediaries such as agents. More complex operations appear as joint ventures or realization of joint operations, direct investment, work in duty-free zones, etc.

International trade is an extension of the production, exchange and consumption, which are basic elements of life. Producers and consumers included in international trade are from different countries.

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